Morris, Craig

From: Steve C [(b)(6)
Sent: Monday, February 14, 2011 12:04 PM
To: TMFeedback
Subject: Small Business Study
Attachments: comments2PTO.pdf

Dear Trademark Office:

Please accept the attached pdf file to the comments collected. If you have any questions or comments do not hesitate to call.

Steve Chan
American Flag Manufacturer
(b)(6)

Comments to the United States Patent and Trademark Office

In response to Request for Comments: Trademark Litigation Tactics

Makers of US Flags for Realtors Litigate over Trademark 'Farming Flags'[1]

This is a portion of the trademark litigation tale of two manufacturers of American flags. Both manufacturers sell small American handheld flags to real estate agents to use for farming ("marketing" in real-estate-agent-speak) around patriotic holidays. The two competitors are on opposite sides of the country. The one in Georgia makes 2-3 million small US flags a year, and the one in California makes around 50-100,000 flags per year, in a back yard. The larger business has one of the largest law firms in Atlanta, and a team of professional trained lawyers. The small California operation can not afford counsel and is defending the suit pro per, with a 9th grade education. The venue is in Atlanta.

In the Northern District of Georgia, Atlanta Division, the case is captioned:

The Flag Company v Steven A Chan, Steven A Chan LLC, Five Star Flags
Case number 1:09-cv-1880-CAP
Trademark at issue: 'farming flags'['flags' disclaimed], 1994 issue.
Incontestable status, 2000 issue.

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[1] This is submitted February 14, 2011, via email, to the United States Patent Office, pursuant to a Request for Comment: Trademark Litigation Practices. This submission is made by Steven Chan, proprietor, Five Star Flags, a backyard manufacturer of US flags in Costa Mesa, California. He can be reached at 949-650-6698. Five Star Flags' website is located at FiveStarFlags.com. He can be reached via email at 2viavr@gmail.com.
The format of this submission is not in numerical reply. The documents (affidavits and other evidence submitted to the Court) referenced herein are available via PACER.

Goods at issue are small US flags, in plastic and fabric, generally a US flag 12x18 inches in size, affixed to a 30" length staff, or some other standard US flag production size. [These are invariably smaller sizes such as 4x6 inch or 6x10 inch US flags, each of which is a normal sized US flag in production.]
Relevant buying public are real estate agents, residential real estate agents and brokers, Realtors, buying bulk US flags at patriotic holidays.
Litigation Status: Notice of Appeal filed January 14, 2011 in the Federal Court of Appeals for the 11th Circuit.

Steve Chan founded Five Star Flags in 2002, selling American flags repackaged for real estate industry end-users. Five Star manufactures US flags, and flag products, in Mr. Chan's backyard in Costa Mesa, California. What he does not manufacture, is secured from other US manufacturers.

Five Star sourced handheld 12x18" US flags in poly plastic for real estate agent farming, from a Georgia company "The Flag Company" of Acworth Georgia (hereafter "Flagco") from 2003 until 2007. Flagco claims to make and sell up to 2-3 million pieces of plastic US flags to real estate agents.

In 2003, Five Star was manufacturing residential flag pole kit closing gifts for homebuilders in subdivision batches. By 2004, Five Star was manufacturing hand-held 12x18" US flags in cotton, and polyester fabric, and marketing these fabric US flags along with the private label Flagco-supplied plastic US flags, at 'farmflags.com', an internet web site targeted to real estate agents and professionals. Until 2007, all plastic US flags were Flagco-shipped via a blind drop, direct to Five Star's real estate agent

customers. In 2007, Five Star began manufacturing US flags in poly plastic in California.

Five Star manufactures it's 12x18 inch US flags literally in the garage, and sometimes, the backyard. It is a seasonal business at this scale, with perhaps 35-50,000 (total 70-100K pieces) flags each of plastic, and cotton, attached to a 30" length stick. This annual backyard production serves 100-200 real estate agent customers (in good years).

Real estate professionals purchase these US flags for traditional flag plantings at Memorial Day, the 4th of July, and other patriotic holiday points. Agents buy 500-1500 US flags or more per order, and their volume is predicated on their 'marketing territory' – which in real estate agent-speak is a 'farm'. Each home in an Agent's farm will receive a US flag. Most have a card attached stating 'compliments of'. High end agents buy fabric flags to not cheapen their marketplace image. Plastic farming flags [plastic American flags] are used by real estate agents in "bread and butter" subdivisions and neighborhoods.

Using the American flag in the middle of summer as a marketing tool is done at the traditional peak of the home selling season, at patriotic holidays. Real estate agents use other farming tools[2] throughout the year, and will tie their giveaway to the 'season'. Seeds in spring and pumpkins in the fall are common, as are refrigerator magnets all year round.

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[2] 'Farming tools' is a classified-ad category in the marketplace sections of most Realtor-association publications, such as *Realtor* magazine published by the National Association of Realtors.

The litigation begins

In the spring of 2009, the law firm Arnall Golden and Gregory[3] sent Five Star a cease and desist letter signed by attorney Jonathon Tucker Barr (hereafter "Mr. Barr'). In it, he claimed to represent Flagco. He described the trademark rights held by Flagco, and alleged infringement, in our 'competing flag products (actually the same USA flags, 12"x18" in size, on a 30" stick, hereafter 'US Flags') marketed at the farmflags.com website. This was the first indication Five Star had of a claim from Flagco.

Five Star met with and retained the intellectual property law fim of Knobbe Martens Olson and Bear (hereafter "KMOB"), in Newport Beach, California. Their examination of the alleged mark resulted in their opinion the term was generic. After some back and forth between KMOB and Mr. Barr, Five Star ran out of money, and could not afford KMOB representation. Five Star next retained litigation attorney, Mr. Joseph Ribakoff. Mr. Barr requested $15,000 to settle the case, with Five Star responding there was no money. After the 2009 summer flag season, Mr. Barr served Five Star with a Federal lawsuit filed in the Northern District of Georgia, Atlanta Division, US Federal Judge Charles Parnell's department alleging infringement of the mark, 'farming flags', in connection with the sale of US flags to residential real estate brokerage professionals.

In the Northern District of Georgia, Atlanta Division, the case is captioned:

The Flag Company v Steven A Chan, Steven A Chan LLC, Five Star Flags

[3] Arnall Golden and Gregory is a very large law firm in Atlanta with over 100 attorneys.

Five Star retained Georgia attorney Glenn Lyon in Atlanta, to sponsor Mr. Ribakoff's pro hac vice to the Federal Court in Atlanta.

On the day the Answer was due to the original complaint, Mr. Ribakoff was declared 'inactive' status to practice law, by the California Bar. (October 2009). Five Star could not afford Mr. Lyon; in any event, the intellectual property nature of the case was not his area of expertise. Five Star (and Mr. Chan) had no legal consel.

Proceeding pro se, Mr. Chan filed the answer and defended the litigation throughout the proceeding, *from providing the original answer to the complaint, and continues to this day*. The limited liability company was shuttered, as the 'corporate' entity had no funds for legal representation. [4] Five Star was now a dba of a sole proprietorship.

Research Phase

Five Star determined the type of evidence used in trademark cases, and initiated a search of evidence of meaning for the term 'farming flags'. Evidence of public understanding of the (trademark) term may be obtained from "any competent source, such as consumer surveys, dictionaries, newspapers, and other publications.

[4] The Court entered a default against the LLC.

Dictionary Definition Evidence

Five Star presented real estate trade dictionary definitions for 'farms' and farming'; in sales management, the territory concept equates to a 'farm', and marketing activities equate to "farming' in the parlance of residential real estate professionals. These definitions and understandings applied in the decades prior to the mark's registration, and continue today. Three different dictionary definitions, from three separate dictionaries, were cited; 2 from 1983, and one less than five years old, were supplied to the Court under a Request for Judicial Notice.

News and trade article Evidence

Five Star borrowed access to the University of Texas library and utilized Lexis/Nexis, Google's Scholar, and, 'basic' version of Lexis, ProQuest, Dow Jones' Factiva, repositories of 'learned treatises' like J-STOR, where access to law reviews could be had, and big and small newspaper archives, as well as trade journals.

Numerous newspaper articles documented 'traditions' of 'real estate agents' putting out 'small US flags' around patriotic holidays. Memorial Day and the 4th of July were the typical target dates. Real estate agents planted these handheld US flags by the thousand, and tens of thousands across large swaths of towns, and entire subdivisions.

The public record documents this activity of real estate agents[5] since 1978, 14 years before the mark's registration in 1994, and certainly before the formation of the Flagco company in 1989.[6]

Trade journals from the real estate industry in the two decades before this trademark issued showed the pervasiveness of the 'farming' concept. Numerous articles detailing this were also provided to the court. Some of these included illustrations of 'farming' by real estate agents with other giveaway items; these include newsletters, watermelons, and even pumpkins.

In sum total, Five Star provided the Court and Flagco attorney Mr. Barr, with hundreds of fact points relevant to the determination of the meaning of the term ' farming flags. These were specific to the 'goods at issue', and the 'relevant buying public'.

These were all supplied to the Court in a Request for Judicial Notice, for the fact that they were published. In all three of these categories, the dictionary definitions, the newspaper articles, and the trade journal articles, were sorted by 'time' and illustrate clearly that the practices of 'farming' under the industry-defined meaning of the term, also continue to this day. This was done by providing more recent articles and definitions.[7]

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[5] Realizing that the real estate agents referred to in these articles were eyewitnesses, Five Star included these articles in Flagco's Discovery Production, and listed out the names of the real estate agents, and the authors of these articles.

[6] See Exhbit A – court document #56, Request for Judicial Notice, page 4: Over 75 newspaper articles portrayed the practice nationwide, across cities large and small, in newspapers such as big city dailies and the Associated Press.

[7] These categories of information are specifically referred to in the trademark law case lineage. In this matter, neither party supplied any survey evidence or expert testimony, to the Court.

The Discovery

Just over 30 days before the end of the discovery period, Five Star received Requests for Admissions, Request for Answers to Interrogatories, and Request for Production of Documents. The Request for Production of Documents encompassed over 7 million internet web pages, and thousands of papers. Five Star immediately set about figuring out how to print these out to pdf electronic forms, and performed analysis and tests, and code development, to allow this volume of data be 'downloaded' from respective webservers.

10 days prior to the close of the Discovery Period, Five Star offered to 'walk away' in settlement. Mr. Barr asked Five Star if it would send monthly payments as a settlement. Mr. Barr lulled Five Star into a false sense of security regarding the specific communications of these terms to his client, and he conveniently 'disappeared' during the a) time discovery was coming due, b) period when Five Star expected communication regarding Flagco's response to the offer[8], c) expected communications to meet and confer over the process of delivery of his requested productions, d) some discussion of commonly called for missing protections, such as a 'protective order' for private information.

Five Star missed the deadline for responding to Requests for Admissions and attempted to preserve objections. Over Five Star protests, Mr. Barr ceased speaking, and immediately fell to communicating 'in writing only', and

[8] Five Star never got a meaningful response to settlement entreaties.

negotiated some form factors of delivery and due dates, which amounted to less than two weeks after the close of discovery date. Therein, Five Star provided access to over 9 million internet pages, and several thousand books and records.[9]

When Flagco filed their Motion for Summary Judgment, Five Star learned what '**deemed admissions**' are.

The Motion for Summary Judgment

In time, Flagco filed a motion for summary judgment of infringement, arguing Five Star liability was fixed as an operation of law by way of deemed admissions. Flagco denied the term was generic, and presented the USPTO file jacket as evidence establishing a 'presumption of validity'. A single 3rd party email[10] was prevented as evidence. An affidavit of Flagco's owner, and their attorney Mr. Barr was also presented. No other evidence was presented.

Five Star argued Flagco's behavior as a mark holder estopped the infringement claim: Flagco, under UCC paperwork[11], actively participated in 'stripping the trademark' from the product before shipping it as Five Star's 'farm' flags for a nearly five year period prior to 2007.

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[9] Flagco filed a motion to compel further responses. After agreeing to a semblance of a protective order, personal information was provided under Judges' orders.

[10] This email was sent to Flagco by a real estate agent, offering a horse property listing. It was addressed to Mr. Chan.

[11] Rive Star issued PO's to Flagco to 'blind-drop' plastic American flags to our real estate agent customers. Terms included a 'strip[ping] of[f] all marks'

Five Star also answered with an affirmative statutory defense, of genericness, the real gravamen of the case. Five Star turned to those newspaper articles and started looking up and telephoning the real estate agents that were written about. These real estate agents proved to be hard to find, and at the same time, right at one's fingertips. Some of these successful real estate agents are still in that career today; back in the 1980's they were twenty-somethings. Female agents were harder to trace down for maiden name changes.

Pillars of the Industry

Crye-Leike Realtors, Inc, is a very large residential real estate brokerage, in the Mid-South. A news article published in 2004 spoke of a '26 year tradition'. Tammy, who was the lead person in the article, wasn't to be found. But the Chief Executive Harold E. Crye, is still at the helm. Today, Crye-Leike as a firm has 3,000 plus agents, and does billions. I called and spoke to his office, and Mr. Crye provided a signed affidavit as an eyewitness to real estate agents using 'farming flags' - US flag plantings, beginning 16 years prior to the mark registration.

Mr. Harold Thompson is a Realtor in Birmingham, Alabama. He has been in the residential real estate brokerage business since 1972. He claims he 'personally planted' "farming flags" beginning in 1986; this sparked a personal tradition resulting in the planting of over 70,000 flags in Birmingham neighborhoods since then. He also is known as the 'Flag Man' (and the Pumpkin Man).

Mr. Thompson wrote in his affidavit he thought the concept of farming the 4th of July and other patriotic holidays with US Flags was born in California. The California reference led Five Star to Carol Rayburn, of Century 21, in Cerritos, California. One of the Boy Scouts she enlisted in farming with US flags in the 1980's married her daughter, and the pair continue in the real estate industry, in her footsteps!. These were also eyewitness users from the past and were found in a press release. Her eyewitness statement clearly says she was familiar with the meaning of the term 'farming flags' prior to registration as a trademark. She testified to the term's generic nature in the 1980's and characterized it generic even today.

Mr. Shiraz Ali Perra is a Realtor in Tucson, Arizona. He has been in the residential real estate brokerage business since 1979. That year, in response to the US embassy hostage crisis in Tehran, he claims to have distributed 'farming flags'. His office manager issued a press release resulting in publication on the record. He also directly participated in Coldwell Banker's US[12] flag distribution program, long after his colleagues stopped. In fact, he was interviewed by Tuscon newspapers and television stations as a result. He knew the phrase as generic in 1979, or 1990.

In summary, **the case in chief for Five Star** consisted of hundreds of factual data points gleaned from a scratch at the historical surface of the real estate industry circa 1975 to 2010, relevant to 'farming' with 'flags'. The data points were all presented to the court by way of Request for Judicial Notice. Half a dozen eyewitnesses found in news articles testified in affidavits as to

[12] Coldwell Banker ran a program called Celebrate America beginning in the mid 1980's. Coldwell Banker associates in all parts of the nation participated in many towns big and small.

the meaning of the phrase 'farming flags', during relevant time periods. Dictionary evidence was also presented. '[T]rademark cases are intensely factual'[13]

Flagco's case in chief was the USPTO file wrapper, and the presumption of validity. Affidavits from attorney Barr and the owner of Flagco were also attached to the Motion for Summary Judgment. No other affidavit was presented. No survey evidence or expert testimony was offered (by either party.) No factual rebuttal was made to any of Five Star's evidence. No other factual assertion other than a denial of genericity was made, except as to Five Star's behavior. Flagco presented no third party evidence of meaning of the term 'farming flags.'

The Court's Order

The Court awarded summary judgment on the infringement claim.

a) **Dubious evidence:** Five Stars' dozens of newspaper articles from world-class newspapers documented a patriotic tradition of real estate agents farming with US flags, across the US, spanning 32 years, were argued to be 'dubious'. The Court's order presumably agree, and stated it was not 'properly' before the court. No mention by name was made of the submitted dictionary evidence, the professional-buyer end-user eyewitness statements, or "*any*" evidence presented by Five

[13] J. McCarthy, Sec. 32:37 at 745. For instance, trial courts disfavor deciding trademark cases in summary judgments because the ultimate issue is so inherently factual. See, e.g., United States Jaycees v. San Francisco Junior Chamber of Commerce, 354 F.Supp. 61, 68-69 (N.D.Cal.1972), aff'd, 513 F.2d 1226 (9th Cir.1975) (per curiam).

Star Flags. No Five Star Flags' evidence appears to have been admitted.

b) **No genericness determination** – presumably, the Court relied on the Incontestable status of this mark to accord it a 'strong' rating, and thus avoided a real genericness analysis. This 'rating' or 'type' driven analysis sidestepped the gravamen of trademark genericness, as no factual determinations relevant to genericness are made other than the side-door 'Incontestable' strength level.[14] This is clearly not the intent of the statute, which reads "**no incontestable right** shall be acquired in a mark which is the **generic** name for the goods or services or a portion thereof." The mantle of incontestability is not a shield or trump for the statutory affirmative defense, as was made clear by the statutory language.

c) **Statutory Affirmative Defense Abrogated** – In this way, Five Star, as a trademark defendant alleging a statutory affirmative defense lost his rights to equal protection; in this case, protection under the statute that states a generic term is not protectable.

d) **Icing on the cake** –Despite what some might perceive as Five Star's very vigorous and spirited defense, the deemed admissions also appeared to preclude a resolution on the merits. A request to withdraw these 'deemed admissions' was presumably denied. Mr. Chan, acting pro se as Five Star here, simply was not aware of the entire deemed admissions machinery, until it was simply too late. [15]Five Star continued with NO discovery on the mark holder, no attorney, no real access to the maze at court, in a foreign venue (California vs Georgia)

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[14] Incontestable rights cannot attach to a generic mark.

[15] Yet most discussions regarding prejudice against the party are in the context of trial – such as time before trial. In this case, trial was not even calendared.

and in Federal Court. The deemed admissions end-run further assured a genericness inspection was not necessary.

e) **Attorney Barr, and the** Arnall Golden Gregory team of professional attorneys worked in concert to further the litigation ends and that is to preserve a generic term as a trademark. The presumption of validity gave this team cause to proceed before the court and engage it's wheels, even when factually implausible. [16] Rule 11 obliges professional conduct upon Officers of the court, including investigation prior to filings. The presumption of validity also gave cause for this legal team to attack historical evidence and bury it. **In this case,** there was no decorum, only taunt and banter. Five Star was informed it 'had no claim', 'had no counterclaim', and 'had no right to discovery', and 'had no defense'. Equally, Mr. Barr did not fulfill the role of reasonable investigation, and proceeded in this suit for an improper purpose.[17]

f) Intent-focused and behavior-based case resolution was irrelevant to determination of genericness, and should not have been reached, at least until the threshold issue of genericness was decided.

No rebuttal was made to any of Five Star's evidence from the history archives. The mark holder presented the PTO wrapper[18], and an affidavit of Flagco's head. There was no other evidence.

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[16] The mountain of factual evidence with relevant prongs include 'relevant public buyer testimony', 'relevant public eyewitness testimony', even from pillars of the relevant buyer public', print news media archives covering a 30 year old tradition of real estate agents doing mass flag plantings,

[17] Five Star contends Attorney Barr's behavior in the meaning of Rule 11 arose upon their receipt of Five Star's mountain of evidence regarding the real estate profession language, practice, and the goods at issue. Up to this point, Attorney Barr presumably could have been totally in the dark regarding the bulk of print news media archives and the practice of farming with flags, but after being supplied with it, he was 'educated' as to the trademark law significance of the evidence.

[18] The PTO wrapper is a fascinating piece of evidence in itself, with line-outs, and correcting ribbon lift-offs.

Judgment

The court threw the book at Five Star Flags, who was ignorant of the need to contest the gross sales figures claimed by Flagco as damages, Thus, an 'an accounting of profits' is skipped and Five Star was punished with a treble damage award based on it's gross sales figures for plastic American flags AND fabric American flags. This became a $275,000 penalty, plus $100,000 in attorneys fees that were also awarded to Flagco.

Thus, for every American flag Five Star Flags made in it's California backyard, and sold, in fabric and polyvinyl, since 2007, it is ordered to pay $1.50 PER FLAG as punishment for alleged infringement. The plastic flags sell for 30-40 cents, and the cotton flags 55 to 70 cents each.

Admissions were deemed by operation of law into potentially non-dischargeable debts.

Closing comments by Five Star Flags owner Steve Chan:

The case lineage for generic trademarks leaves loopholes for courts to avoid the genericness analysis, which would properly discerns the 'meaning of the term' in the 'minds of the buyers'. This loophole deprives accused infringers of the statutory affirmative defense of genericness.

See Carol Melton http://www.wcl.american.edu/journal/lawrev/29/melton.pdf?rd=1 also for the proposition that accurate genericness determinations are hindered by clear standards for the courts.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1562086##

Please see also *Making the Case for a Duty to Disclose Facts Related to Genericism and Functionality in the Trademark Office* , especially as it relates to the "evidentiary utility and power of a federal registration."